



AMG TimesSquare Small Cap Growth Fund—Institutional Class

Quarterly Review — First Quarter 2016

The global equity markets began 2016 in full retreat with one of the weakest Januarys in recent history. They began to recover mid-February, performed more strongly in March, and some were able to end the first quarter with slight gains. On a similar path, commodities - especially oil - touched multiyear lows before rebounding sharply toward the end of the quarter. Meanwhile, the U.S. dollar's value retrenched slightly from an 18-month steep climb versus the other major currencies. At the start of the year, China reported that its GDP grew at a decreased annual rate of 6.9% for 2015, in line with the government's newly reduced growth expectation of 6.5%-7.5%. In the eurozone, GDP annual growth was 1.5%, though quarter-by-quarter, the growth rate trended lower. Meanwhile in the U.S., the most recently reported quarter's GDP growth rate again was revised upward to a higher-than-expected level of 1.4%, bringing the annual rate to 2.4%. After the Federal Reserve lifted interest rates from zero last December, it refrained from making subsequent increases in favor of a more cautious stance. That was counter to the actions of the Bank of Japan, which unexpectedly introduced negative interest rates, and the European Central Bank, which increased its levels of quantitative easing.

Quarterly Update

In U.S. equities, the slight climb for the broad market masked wide divergences among different segments. The smaller market capitalization indexes performed poorly, with microcaps falling by -5% and larger market capitalizations generally doing better, though the highest peak was reached by midcaps. Across the market capitalization spectrum for the indexes, value bested growth. Within growth stocks, the Producer Durables and Materials & Processing sectors outperformed others, though on a more granular basis REITs led nearly all other segments. Significantly negative returns from biotechnology and pharmaceutical companies dragged down the Health Care sector while Energy continued to lag. Consistent with the dominance of value over growth, those stocks with the highest P/E ratios underperformed all others as did those with the highest expected long-term growth rates. While stocks with lower risk, as defined by their betas, outperformed their riskier brethren, those with lower debt/capital ratios underperformed stocks with higher leverage.

Fund Update

Amidst this environment, the Fund outperformed the Russell 2000® Growth Index for the quarter on a relative basis. Stock selection had a net negative effect. In general, our investments in Health Care and Energy outpaced their counterparts in the index, while our holdings in Financial Services, Producer Durables, Consumer Discretionary, Technology, Utilities, Consumer Staples, and Materials & Processing lagged. Sector allocation had a net positive effect and drove our outperformance as our underweights to Health Care and Technology and our overweights to Producer Durables, Financial Services, and Utilities helped our returns while our underweights to Consumer Discretionary, Materials & Processing, and Consumer Staples and our overweight to Energy detracted from performance.

The top contributor to our returns hailed from Consumer Discretionary: Burlington Stores, Inc. (1.50% of the Fund), which operates as an off-price apparel, home, and baby products retailer. Burlington's shares were marked up by 31%. In January, management provided better-than-expected guidance as strength in fragrances, bath and body, and home items offset weakness in cold weather apparel. Also navigating the retail environment well was Ollie's Bargain Outlet Holdings, Inc. (0.89% of the Fund) with a 38% surge after its 2015 holiday same store sales results topped expectations, and management raised top and bottom line guidance. Ollie's is a merchandise retailer of closeouts, excess inventory, and salvage merchandise. Management later issued a positive preannouncement in February. Performance Sports Group Ltd. focuses on equipment, related apparel, and accessories for ice hockey, roller hockey, lacrosse, baseball, and softball. Early in the quarter, Performance Sports reported lighter-than-expected revenues and earnings and reduced guidance due to a negative impact from foreign exchange and product launch shifts. In March, management preannounced a large miss to their fiscal third quarter results and lowered guidance due to a material slowdown in their baseball/softball bat business. We sold Performance Sports with its shares tumbling by -67% as we have reduced confidence in management's ability to forecast their business and navigate these issues.

In Financial Services, a debit to our performance was Blackhawk which fell by -22%. Blackhawk Network Holdings, Inc. (1.28% of the Fund) provides prepaid gift, telecom, and debit cards. Mixed quarterly results coupled with concerns about a slowdown in retail sales weighed on the stock. Blackhawk's 2016 guidance is also being negatively impacted due to fact that the main distribution channel for its products, supermarkets, has not become compliant with the chip-enabled EMV (Europay, MasterCard, and Visa) technology. This resulted in reduced sales of high-value, prepaid open loop cards as supermarkets attempt to avoid the higher potential for fraud exposure.

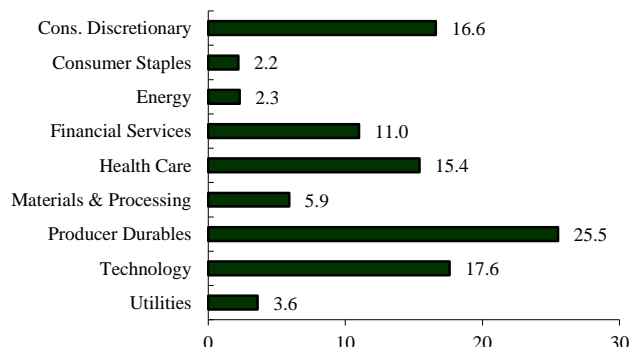
Health Care ranked as the weakest sector in the benchmark with its -18% decline, driven by particularly poor results in the biotech and pharmaceuticals industries; we benefitted from our typical relative underweights to both spaces. Surgical Care Affiliates, Inc. (1.30% of the Fund) owns and operates a network of multi-specialty ambulatory surgery centers and surgical hospitals in the U.S. In January, Surgical Care provided guidance

Profile as of 03/31/16

	Fund	Russell 2000® Growth Index
Weighted Average Market Cap	\$2.1 bil	\$2.0 bil
Weighted Median Market Cap	\$2.0 bil	\$1.9 bil
P/E (FY1 Forecast)*	19.4x	19.0x
Forecast EPS Growth*	16.8%	17.9%
Number of Holdings	90	1,181
Percent Cash	5.1%	-

* Source: FactSet Estimates (see disclosures)

Fund Sector Allocation (%) as of 03/31/16



Total Returns

For Periods Ended 03/31/16	Fund-Institutional	Russell 2000® Growth Index
One Month	6.75%	7.66%
1 st Qtr. 2016	-3.90%	-4.68%
One Year	-9.45%	-11.84%
Three Year*	7.07%	7.91%
Five Year*	8.37%	7.70%
Seven Year*	17.22%	17.23%
Ten Year*	7.87%	6.00%
Since Inception (01/21/00)*	8.01%	3.12%

*Average Annual Total Returns

Total Operating Expense Ratio (Gross/Net): 1.03% / 1.03%

Annual expense ratio as of May 1, 2015. Please refer to the fund's prospectus for additional information on the fund's expenses.

Performance data quoted represents past performance. Past performance does not guarantee future results. Your investment return and principal value of your investment will fluctuate so that your shares in the Fund, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data quoted. Please call toll free at 1.800.835.3879 to obtain performance data current to the most recent month-end.

Performance data reflects waivers of all or a portion of the advisory fees and/or reimbursement of other expenses. Without these waivers and reimbursements, investment performance would have been lower. At times, certain funds' performance may be extraordinarily high due to investing in sectors that achieved unprecedented returns. There can be no assurance that this performance can be repeated in the future.

for 2016 that indicated earnings would grow faster than last year and by more than had been expected. Surgical Care later issued strong fiscal fourth quarter results with revenue and earnings beats driven by the strongest same-center growth seen in years. Shares gained a healthy 16%. Civitas Solutions, Inc. (0.82% of the Fund) provides home- and community-based health and human services to individuals with intellectual, developmental, physical, or behavioral disabilities, and other special needs. Falling -40%, Civitas missed revenue and earnings expectations due to the negative impact of prior divestitures, tough year-over-year comps, and labor costs such as higher overtime. Civitas's deal pipeline still remains attractive. Falling victim to the general weakness in biotech and pharmaceuticals names was Intra-Cellular Therapies, Inc. (0.51% of the Fund) which declined by -48%. The company develops small molecule drugs for the treatment of diseases and disorders of the central nervous system. The second phase III trial for Intra-Cellular's ITI-007 drug for schizophrenia is on track with results expected in mid-2016, and two phase III trials for the same drug's treatment of bipolar depression have begun.

In Materials & Processing, RBC Bearings Inc. (1.53% of the Fund) is a global manufacturer and marketer of engineered precision plain, roller, and ball bearings. RBC's fiscal third quarter results included earnings that exceeded Street estimates and inline revenues as expected weakness in the industrial markets was more than offset by continued strength in commercial and aftermarket aerospace. RBC shares rolled ahead by 13%.

In Producer Durables, ExlService Holdings, Inc. (1.92% of the Fund) is a business process outsourcing (BPO) firm that delivers processing solutions to banking, financial services, insurance, healthcare, utilities, travel, and transportation companies. Management announced fiscal fourth quarter results with revenue and earnings topping consensus expectations driven by growth in ExlService's analytics segment, and shares gained 15%. The trend to BPO outsourcing continues as a secular tailwind. Rising 15% on the heels of a solid quarterly report with 2016 margin guidance above expectations, Littelfuse, Inc. (1.32% of the Fund) designs, manufactures, and sells circuit protection devices for use in the automotive, electronic, and electrical markets. Its autos segment registered double digit growth across all geographies. The company completed its acquisition of TE Connectivity's circuit protection business before quarter end as scheduled. Spirit Airlines, Inc. (0.91% of the Fund) is an ultra-low cost airline focused on providing unbundled fares. In a surprise move, the company's Chief Executive Officer resigned, but the announcement of his replacement – the former CEO of AirTran – was well received by investors. In February, management announced results that exceeded previously raised guidance with upside driven by cost controls, and its shares ascended by 20%.

The greatest detractor for the quarter with its -35% decline was found in Producer Durables: The Advisory Board Company (1.01% of the Fund), which provides best practices research, business intelligence, and management and advisory services, primarily to the health care and education industries. Management reported lower-than-expected quarterly results, though of greater concern was slower contract value growth that led to a reduction of 2016 revenue guidance well below expectations. Given our concerns about management's execution, we are currently reassessing its place in the

Fund. Following its strong performance run since last August, On Assignment, Inc. (2.07% of the Fund) retrenched by -18% for the quarter amid weakness in the staffing industry and global macroeconomic concerns. On Assignment is a professional staffing firm that provides flexible and permanent staffing solutions in the technology, life sciences, and creative fields. Management reported strong fiscal fourth quarter results and solid first quarter guidance. We see company initiatives working to drive revenue growth.

Within the Technology sector, we initiated a position in Science Applications International Corporation (1.15% of the Fund), which provides technical, engineering, and enterprise information technology services to the U.S. federal government. The company has grown its organic revenues at a better rate than its government information technology peers. At the end of March, management reported a solid quarter with strong margins and free cash flow generation and provided a confident outlook based on an attractive pipeline of opportunities. Shares have climbed 26% since our purchase. We closed our position in Synchronoss Technologies, Inc., which provides cloud solutions and software-based activation for mobile carriers, enterprises, retailers, and original equipment manufacturers. Out of sync with its -31% drop, Synchronoss issued poor fiscal first quarter guidance. Of greater concern to us, however, was the fact that management did not appropriately disclose the one-time revenue benefit of a joint venture deal on fourth quarter cloud revenue. Without the impact of this deal, Synchronoss would have missed estimates, and this put both their lowered guidance and our ability to trust management into question.

Lastly, in the Utilities sector, j2 Global, Inc. (1.49% of the Fund) provides services through two segments: Business Cloud Services, including online fax, virtual phone systems, hosted e-mail, and online backup, and Digital Media, which includes a portfolio of websites such as PCMag.com, Geek.com, and IGN.com. Despite reporting a strong quarter with top and bottom line beats, j2 fell by -25% after a short-seller's research note issued in March questioned its business model, its reliance on patents that were expiring in the near future, and the valuation for its digital media operations. We remained convinced of j2's growth prospects and its steadily increasing free cash flow.

While 2016 had a volatile start for the markets, often it is during such environments that attractive opportunities present themselves to active managers. By carefully sifting through company reports and outlooks, we look to identify those that could navigate the current turbulence and may now have even more appealing valuations. As always, we are dedicated to adding value to the assets you have entrusted to us.

Note: Small capitalization securities are subject to market, liquidity and information risk. Small company securities may underperform, as compared to the securities of larger companies, and may also pose greater risk due to narrow product lines, limited financial resources, less depth in management or a limited trading market for their stocks. Also, growth stocks may be more volatile than other types of stocks.

Top Ten Holdings as of 03/31/16 (Excluding Money Market Investments)

Holding	Description	% of Total
Ultimate Software Group	Designs, markets, implements, & supports Web-based & client/server cross-industry human resource management & payroll software solutions	2.20
On Assignment	Provides flexible & permanent staffing solutions, primarily for the Health Care sector, in the U.S., Europe, Canada, Australia, & New Zealand	2.07
MKS Instruments	Manufactures subsystems for the semiconductor capital equipment industry	2.01
Albany International	Manufactures fabrics, belts & composite materials for industrial machinery & aerospace use worldwide	1.98
PolyOne	Develops specialty & customized polymer materials for a variety of industrial, health care & consumer end markets worldwide	1.95
ExlService Holdings	Provides transformation & outsourcing services	1.92
Monro Muffler	Provides automotive repair services	1.83
M/A-COM Technology Solutions	Designs radio frequency, millimeter wave, microwave & photonic analog semiconductor chips for the communication network, aerospace/defense & automotive end markets	1.80
Envestnet	Provides wealth management software & services to financial advisors & institutions	1.68
Bright Horizons Family Solutions	Provides employer-onsite child care, early education & other services to support employees' families	1.63
Total:		19.07

Disclosures

In choosing a Fund, investors should carefully consider the amount they plan to invest, their investment objectives, the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call 1.800.835.3879, or visit www.amgfunds.com for a free prospectus. Read it carefully before investing or sending money.

Forecast EPS Growth is the annualized percentage change between the most recent actual fiscal year EPS and the 5-year EPS consensus forecast from FactSet Estimates as calculated by FactSet Research System's Portfolio Analysis Workstation. P/E (FY1 Forecast) is the current price divided by the FactSet Estimates consensus earnings per share estimate for the next reported fiscal year as calculated by FactSet's Portfolio Analysis Workstation. Sector classifications are Russell Investment Group sector classifications and the data is un-audited. Please note that the Fund uses different industry classifications for purposes of determining concentrations.

The top ten holdings, sector allocation, market capitalization, price to earnings and forecasted earnings per share growth are presented to illustrate examples of the securities that the Fund has bought and the diversity of areas in which the Fund may invest, and may not be representative of the Fund's current or future investments. The figures presented are as of date shown and may change at any time.

Mention of a specific security should not be considered a recommendation to buy or a solicitation to sell that security.

Fund is measured against the Russell 2000® Growth Index – a market capitalization-weighted index that measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth rates. Russell Investment Group is the source and owner of the Russell Index data contained herein and all trademarks and copyrights related thereto. Unlike the Fund, the Russell 2000® Growth Index is unmanaged, is not available for investment, and does not incur expenses.

